

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	DA 03-2641
Petition of the Minnesota Public Utilities Commission	)	
For Agreement with Changes in the Definition of Service	)	
Areas for Exchanges Served by CenturyTel, Citizens	)	
Telecommunications Company, Frontier Communications	)	
of Minnesota, Inc., Mid-State Telephone Company,	)	
Scott-Rice Telephone Company, United Tel Co. of	)	
Minnesota (UTC of Minnesota), Federated Telephone	)	
Company, Melrose Telephone Company, Winsted	)	
Telephone Company (TDS Telecom), Eckles Telephone	)	
Company (Blue Earth Valley Telephone Company),	)	
Lakedale Telephone Company, and Farmers Mutual	)	
Telephone Company	)	

**NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION  
REPLY COMMENTS**

The National Telecommunications Cooperative Association (NTCA)<sup>1</sup> hereby files its reply comments in response to the Federal Communications Commission's (Commission or FCC) Public Notice in the above-captioned proceeding.<sup>2</sup> NTCA supports the comments filed by parties urging the Commission to either deny the Minnesota Public Utilities Commission's (MPUC) petition to redefine the service areas of 12 Minnesota rural telephone companies or suspend its decision until

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<sup>1</sup> NTCA is the premier industry association representing rural telecommunications providers. Established in 1954 by eight rural telephone companies, today NTCA represents 560 rural rate-of-return regulated incumbent local exchange carriers (ILECs). All of its members are full service local exchange carriers, and many members provide wireless, cable, Internet, satellite and long distance services to their communities. Each member is a "rural telephone company" as defined in the Communications Act of 1934, as amended (Act). All of NTCA's members are dedicated to providing competitive modern telecommunications services and ensuring the economic future of their rural communities.

<sup>2</sup> *The Wireline Competition Bureau Seeks Comment on the Minnesota Public Utilities Commission's Petition to Redefine Rural Telephone Company Service Areas in the State of Minnesota*, CC Docket 96-45, DA 03-2641, Public Notice (rel. Aug. 12, 2003).

the Commission issues and implements its new universal service portability rules and eligible telecommunications carrier (ETC) designation guidelines.<sup>3</sup>

The Federal-State Board on Universal Service (Joint Board) is currently reviewing comments on whether providing universal service support to multiple ETCs in high-cost areas imposes unnecessary costs on the federal universal service fund and results in inefficient competition. The Joint Board is expected to issue its recommended decision later this year. As a result, it is very likely that the current standards for determining ETC designations, service area redefinitions, and the amount of universal service support dollars distributed to competitive ETCs operating within rural ILEC service areas will change significantly. The Commission therefore would better serve the public and sustain the federal high-cost fund by suspending its decision on the MPUC petition and similar petitions until it has implemented its new rules and guidelines.

A stay of all pending service area redefinition proceedings until the new universal service rules are adopted would be consistent with Section 254. A stay would avoid the potential for further non-compliance with Section 254(e) as a result of competitive ETCs (CETCs) receiving support windfalls under the current identical support rule.<sup>4</sup> The increase in petitions for service area

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<sup>3</sup> *In the Matter of Federal-State Joint Board on Universal Service Seeking Comment on the Commission's Rules Relating to High-Cost Universal Service Support and the ETC Designation Process*, CC Docket No. 96-45, FCC 03J-1, Public Notice (rel. Feb. 7, 2003). See Initial Comments filed by Alaska Telephone Association, CenturyTel, Inc., Citizens Telecommunications Company of Minnesota, Inc. and Frontier Communications of Minnesota, Inc., Minnesota Independent Coalition, and the United State Telecom Association.

<sup>4</sup> 47 C.F.R. § 54.307(a)(1) (Allows a CETC to receive the same per-line support as the ILEC, based on the ILEC's costs. Unlike rural ILECs, CETCs never demonstrate their own costs to determine whether they are eligible for support).

redefinitions<sup>5</sup> and ETC designations demonstrates that some type of abatement is needed while the Joint Board proceeding is pending. Support to CETCs has already jumped from \$500,000 in 1999 to a projected \$140 million in 2003.<sup>6</sup> On a percentage basis, the number of CETCs eligible to receive high-cost support has grown 1200% between 1<sup>st</sup> quarter 2000 and 2<sup>nd</sup> quarter 2003.<sup>7</sup> Meanwhile, CETCs that have no loop costs are now filing line counts and certifications indicating that they are complying with 254(e) when they use access support intended to replace an ILEC residual revenue requirement. In May 2003, the Universal Service Administrative Company (USAC) issued a report showing that the number of study areas where CETCs will receive support will more than triple between 2<sup>nd</sup> and 3<sup>rd</sup> quarter 2003.<sup>8</sup> NECA projects that CETC support amounts

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<sup>5</sup> *Pleading Cycle Established for Comments on Proceeding Regarding the Definition of the Rural Service Areas of Two Rural Telephone Companies in the State of Colorado*, CC Docket No. 96-45, DA 03-26 (Public Notice) (Wireline Competition Bureau rel. Jan. 7, 2003); *In the Matter of the Federal-State Joint Board on Universal Service: Cellular South License Inc., Petition for Designation as an Eligible Telecommunications Carrier Throughout its Licensed Service Area in Alabama*, Memorandum and Order, CC Docket No. 96-45, (rel. Dec. 4, 2002); *In the Matter of the Federal-State Joint Board on Universal Service: RCC Holdings Inc., Petition for Designation as an Eligible Telecommunications Carrier Throughout its Licensed service Area in Alabama*, Memorandum and Order, CC Docket No. 96-45, (rel. Nov. 27, 2002); *See also*, TR Daily, (Sep. 8, 2003)(On September 8, 2003, Sprint Corp. filed an application with the FCC for ETC status in Georgia on behalf of its wireless division. Sprint has also recently filed ETC applications with the FCC for ETC designation in Alabama, New York, Pennsylvania, Tennessee, and Virginia. On September 5, 2003, Sprint also filed an ETC application with the Texas Public Utility Commission.

<sup>6</sup> *In the Matter of "The Future of Universal Service"* Statement by Robert Orent, President and CEO of Hiawatha Communications on behalf of the Independent Telecommunications Alliance (ITTA), National Rural Telecom Association (NRTA), National Telecommunications Cooperative Association (NTCA), Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) and the Western Alliance before the United States Senate Committee on Commerce, Science, & Transportation Subcommittee on Communications, p. 2 (April 2, 2003).

<sup>7</sup> USAC's First Quarter 2000 Appendices, High Cost Support Projected by State by Study Area - 1Q2000, and USAC's Second Quarter 2003 Appendices, High Cost Support Projected by State by Study Area - 2Q2003.

<sup>8</sup> USAC's Third Quarter 2003 Appendices, High Cost Support Projected by State by Study Area - 3Q2003, and USAC's Second Quarter 2003 Appendices, High Cost Support Projected by State by Study Area - 2Q2003.

could increase by \$395 million dollars as soon as 2006.<sup>9</sup> This rapid escalation in support considered together with the pending proceedings on changes in the portability rules, ETC guidelines and universal service assessment contributions warrants a stay.

Respectfully submitted,

NATIONAL TELECOMMUNICATIONS  
COOPERATIVE ASSOCIATION

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September 9, 2003

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<sup>9</sup> Trends in Telecommunications Cost Recovery: *The Impact on Rural America*, Table C-3 (October 2002).  
NTCA Reply Comments  
September 9, 2003

## CERTIFICATE OF SERVICE

I, Gail Malloy, certify that a copy of the foregoing Reply Comments of the National Telecommunications Cooperative Association in CC Docket No. 96-45, DA 03-2641 was served on this 9th day of September 2003 by first-class, U.S. Mail, postage prepaid, to the following persons.

/s/ Gail Malloy

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